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TAGS: [ECON](#) [EINV](#) [PGOV](#) [PREL](#) [AR](#)  
SUBJECT: ARGENTINA PROTESTS INVESTMENT CLIMATE STATEMENT

REF: A. BUENOS AIRES 257  
[1](#)B. BUENOS AIRES 225  
[1](#)C. '08 BUENOS AIRES 56

Classified By: Amb. E.A. Wayne. Reasons 1.4 (B,D)

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Summary  
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- [1](#)1. (C) Foreign Minister Jorge Taiana sent a letter to Ambassador Wayne the evening of April 3 strongly protesting our 2009 Investment Climate Statement (ICS) posted on April [1](#)2. The sharply worded message was apparently drafted by Taiana and President Cristina Fernandez de Kirchner (CFK) late April 3. The letter has not been given to the press, which we suspect reflects Taiana's effort to contain the issue. None of the local April 4 press addresses the ICS except for a positive story reflecting Embassy's April 3 press release. We believe the President's anger was set off by three April 3 local press items highlighting the more negative points made in the ICS and neglecting the positive points in it and in the larger Country Commercial Guide, also posted April 2. This sharp GoA reaction reflects a long pattern of thin skinned responses to annual U.S. reports.
- [1](#)2. (C) The Foreign Minister's letter condemns the USG's practice of issuing "unilateral" and judgmental public reports on third country economic policies and criticizes the use of unidentified third party sources as calling the report's objectivity into question. The letter puts the ICS in the context of the international global financial crisis as potentially damaging existing investments whose value is already in jeopardy and questions the moral authority of the USG to comment on Argentine corruption in light of recently revealed U.S. financial scandals. Taiana's letter also questions whether the ICS' documentation of comments by U.S. companies operating here that they are placed at a competitive disadvantage by acting ethically and obeying Argentine law and tax regulations suggests that we believe local companies are not acting ethically. The letter closes with a call for renewed bilateral cooperation in the G20 context.
- [1](#)3. (C) Given GoA sensitivity to the release of earlier public reports, including the prior year's ICS, the 2009 INCSR Money Laundering Report, the TIP and Human Rights reports, the Consular Information Sheet, and periodic economic updates to our Country Notes, post had carefully reviewed the 2009 ICS to ensure it met our legal obligations to inform U.S. investors about the realities in Argentina but avoided unnecessary controversy by attributing opinions on sensitive issues (e.g. the GoA's widely acknowledged manipulation of inflation and other economic statistics) to third party sources. Post's ICS roll-out strategy included a decision to

delay its release until after the G20 Summit along with pre-release notification to GoA officials and local media. While we cannot discount the possibility that President Kirchner or Minister Taiana will go public with the GoA's protest letter in the coming days, we understand from our Foreign Ministry colleagues that there are no plans to do so at this point. Nor does the story appear to have legs in the local media, but Taiana may raise it when he sees Secretary Clinton April 7. End Summary

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ICS Rollout Strategy  
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¶4. (C) In light of extensive local media coverage of the release of a whole string of required U.S. public reports, including on the 2008 Investment Climate Statement (Ref C), the 2009 INCSR Money Laundering Report (Ref B), the economic commentary in our periodic Country Notes updates, the TIP report, the Human Rights report and the Consular Information sheet, and given earlier GoA complaints about the content of such reports, Post developed a roll-out strategy for our 2009 ICS. This included a line-by-line review of the ICS to ensure the accuracy of all statements and to attribute the most controversial of these (e.g. on the GoA's widely acknowledged manipulation of inflation and other economic statistics) to third party sources.

¶5. (C) The roll-out strategy included delaying the ICS release from the original late February date when the bulk of global ICSs are posted to the State website to an April 2 national holiday here after the G-20 meetings and the Vice President's meeting with CFK in Chile. In advance of this upload, Post gave prior notification (but not advance copies) to responsible local media and to GoA contacts at the Foreign Ministry, Production Ministry and office of the Chief of Cabinet. Our heads-up to GoA media and local officials set the ICS in the context of the broader 110-page Country Commercial Guide (the CCG, of which the ICS is one chapter) that is geared to helping U.S. exporters and investors identify the most promising sectors of the economy in which to engage. We noted that both the CCG and ICS are longstanding reports prepared jointly by the U.S. Commerce and State Departments and that the ICS is a technical document (not a policy message) summarizing publicly available information on a range of themes relating to a country's foreign investment regime, positive and negative.

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Broad Argentine Media Coverage of ICS Upload  
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¶6. (SBU) On April 3, three dailies gave extensive coverage of the ICS, with leading circulation daily Clarin dedicating the same full-page space to the ICS release as it did to a G-20 review, with the headline "Critical US Report on Argentine investment Climate." Daily of record La Nacion ran the story as its Economic and Business section lead, with the headline "US Doesn't See (adequate) Investment Climate and Speaks of Corruption in the Country." The three dailies highlighted critical ICS comments on the current economic downturn, the possibility of a further depreciation of the Peso, and the potential inflationary impact of the Central Bank's strategy of maintaining an undervalued currency and net negative real interest rates. The dailies also highlighted the ICS' documentation of complaints by foreign companies on lack of GoA movement on outstanding ICSID international arbitration suits, U.S. investor complaints that their adherence to the letter of Argentine tax and regulatory codes places them at a competitive disadvantage, and company complaints on the lack of clear and stable GoA regulatory regimes including in energy and mining sectors. Finally, media reports highlights the ICS comments on company complaints of official GoA corruption and on poor judiciary enforcement of corruption legislation, citing recent World Bank and Transparency International reports. Perhaps not surprisingly, the media did not highlight positive points in the ICS or the Country Commercial Guide.

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Embassy April 3 Outreach to GoA and Press Release  
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17. (C) In response to media coverage, Ambassador, DCM and the Economic Section were contacted April 3 by GoA officials on the ICS release. This included a call to Ambassador from Central Bank President Redrado complaining that the report unfairly singled out his central bank's policies as responsible for Argentine inflation whereas other GoA actors (e.g. the Kirchner administration's excessive pro-cyclic spending) are also to blame. In responses to senior GoA officials, including to the Chief of Staff to Foreign Minister Taiana, Embassy officers put the ICS in the context of the broader pro-investment Country Commercial Guide. The Ambassador passed the clarification to the President's chief counsel and to the Interior Minister, both of whom are close to CFK and her husband. Post also put out a press release (see para. 8) detailing the Congressionally-mandated nature of the ICS, putting it in the broader context of the CCG and noting the 500-odd U.S. companies who have found Argentina's investment climate attractive enough to sustain and in some cases expand their investments here. This led to a very positive story April 4 in the largest web news portal Infobae.Com.

18. (U) Begin April 3 ICS Press Release Text:

Our Country Commercial Guide (CCG) and the Investment Climate Statement (ICS) included in the CCG were uploaded to the Embassy and Washington websites April 1. The ICS is a chapter of the CCG. Both replace prior versions which had been uploaded early in 2008.

The CCG reviews business opportunities sector by sector and is geared toward helping U.S. exporters and investors identify the most promising sector of the economy in which to engage. This year's CCG, for example, identifies a number of sectors with significant market potential including information/communications technology, agricultural machinery parts, renewable energy equipment, and safety and security equipment, among others.

Both the CCG and ICS are longstanding annual reports mandated by the U.S. Congress for all countries. Prepared jointly by the U.S. Commerce and State Departments, they present a variety of themes related to a country's commercial opportunities and investment regime. They are technical documents that summarize publicly available information drawn from a wide variety of sources including analyses by government and non-government experts.

Based partially on information provided in these annual reports, a number of U.S. companies have entered the Argentine market. In addition, based on their own experience here, a number of current investors have recently announced their intent to expand their operations in Argentina, as the U.S. Embassy has publicly released. According to Department of Commerce data noted in our ICS, approximately 500 U.S. companies have invested over US\$ 14 billion in their Argentine operations and currently employ over 150,000 Argentines. We are pleased that U.S. company investment flows clearly demonstrate the attractive opportunities Argentina offers today.

Both reports can be viewed on the following U.S. Embassy web page:

End Pres Release

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GoA Response: Sharp Protest Letter to Ambassador  
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19. (C) In the late afternoon of April 3, we were informed by Foreign Ministry contacts that Foreign Minister Taiana was meeting with President Cristina Fernandez de Kirchner on the

ICS and that the Foreign Minister would be sending a letter to the Ambassador. At 20:30 local time, the following letter from Foreign Minister Taiana to Ambassador Wayne was delivered to the Embassy:

Begin Text: Informal Translation

Foreign Ministry Letterhead

April 3, 2009

Dear Mr. Ambassador,

Argentina considers that the practice of drafting unilateral public reports about the development of third country policies and passing judgment over them does not contribute to the strengthening of relations with those countries.

In this opportunity, I want to refer to the "2009 Investment Climate Statement - Argentina" which introduces value judgments and negative comments, frequently from the mouths of third parties. The biased use of information sources as well as the invocation of unidentified third parties diminishes the report's objectivity.

In the context of an international crisis that is destroying the value of investments, that is causing job losses in the world, and that had its origin in the United States and not in Argentina nor in the other countries under analysis in Investment Climate Statements, it is not appropriate and not constructive to engage in these practices (i.e. practices of drafting unilateral public reports), above all in light of the multi-million dollar frauds and swindles that took place in your country.

The inclusion of comments coming from unidentified sources diminishes the seriousness and objectivity of the report. The mention of the disadvantage at which American firms are placed for fulfilling the law and behaving ethically, wrongly suggests that local firms do not behave in the same way. These statements from unidentified sources highlight the existence of conflicting business interests.

In this context, and at this time when our countries in the bilateral and G-20 framework seek cooperation to reactivate and get the international economy back on track, it is fundamental that our two countries work in a constructive way to deepen our bilateral relations.

Closing Salutation

Jorge Taiana

Minister of Foreign Affairs

End Informal Translation

¶10. (C) On April 4, MFA contacts indicated that this letter would not be passed in Washington by Ambassador Timerman and that there are no GoA plans to release this to the media. They confirmed that Minister Taiana will depart Buenos Aires April 4 for Washington.

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April 7 Taiana/Clinton Mtg: Suggested ICS Points  
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¶11. (SBU) In the likely event that Minister Taiana raises this ICS issue during or on the margins of his meeting with Secretary Clinton, Post offers the following points:

-- The Country Commercial Guide and its Investment Climate chapter are Congressionally-mandated annual reports that present an overview of Argentina's commercial environment using public source economic, political and market analysis. They are geared toward helping U.S. exporters and investor identify the most promising sectors of the economy in which to engage, and they identify areas for potential further U.S. business.

-- Over 500 U.S. investors currently operating in Argentina have voted with their capital -- over US\$ 14 billion by 2007 according to the U.S. Commerce Department -- on the quality of Argentina's investment climate.

-- The closing paragraph of your letter to Ambassador Wayne spoke of the need -- in the context of the international financial crisis -- for our two countries to work constructively together. The far-reaching G-20 leaders statement signed April 2 by Presidents Kirchner and Obama is a compelling affirmation that we are and intend to continue working together constructively.

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Comment  
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¶12. (C) Foreign Minister Taiana's sharp protest letter appears to have been drafted on the basis of local media reports on the ICS read by President Kirchner and Taiana. Our hunch is that Taiana spent several hours working to manage CFK's anger at the press reports and to convince her to respond via letter rather than in some public way. The letter's denouncement of "unnamed third party sources" appears more than a bit disingenuous, since the local media reports daily on named analyst criticisms of GoA economic policies, extensive GoA intervention in economic sectors, lack of tax policy and regulatory consistency, and allegations of corruption. Our extensive pre-release review of the ICS was undertaken to ensure that the text was true to our legal obligation to inform U.S. business but not to include additional and potentially controversial material well covered in other public analyses of Argentine economic and investment policy.

¶13. (C) Post's decision to delay the Argentine ICS release until after the G20 Summit -- it was last of 142 ICS reports uploaded to the State website -- was made precisely because we thought it could generate a sharp GoA reaction, and we did not want it taken by a GoA exquisitely sensitive to perceived foreign criticism as a policy signal about U.S. relations. This thin-skinned sensitivity has been evident numerous times over the past two years. Most recently was the GoA's sharp public reaction (that included prime-time television remarks by the Foreign Minister) to media reports in February that CIA Director Panetta had questioned Argentina's economic stability (Ref B). It was also displayed in the GoA's angry reaction to the publication of an INCSR money laundering report that did not reflect the most recent modifications to Argentina's capital repatriation law; after a rapid Embassy press statement, the president's ire was directed at the media and she raised the example in her State of the Nation speech to Congress (Ref A).

¶14. (C) While we cannot discount the possibility that President Kirchner or Minister Taiana will go public with the GoA's protest letter in the coming days, we understand from our Foreign Ministry colleagues that there are no plans to do so at this point. We also note that, as of this writing the Argentine press is not pursuing the story. We hope that President Kirchner has come away from the recent meetings in Chile and at the G-20 Summit with a better understanding of the USG's commitment to work constructively together with Argentina. This is a point we encourage Washington to emphasize in its follow-up discussions on this with GoA officials, including in the Secretary's April 7 meeting with Minister Taiana. But this incident is a reminder of how sensitive CFK is to perceived criticism from the U.S.

WAYNE